



Financial Institutions Group

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M&A Industry Insights

Summer 2023



Executive Summary

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North America was the most active region, with 815 financial institutions group (FIG) transactions observed in 2023 year to date (YTD).



The M&A market continues to experience macro-level difficulties, presenting dealmakers with numerous financial services M&A opportunities.



Stocks of European financial firms have developed in line with STOXX Europe 600, while U.S. financials have struggled to keep up with the performance of the S&P 500.



The number of announced FIG transactions is expected to be slightly lower in 2023 compared to 2022.

Executive Summary

Overview

In this edition of the FIG update from Kroll, we evaluate current market trends, prevailing investor sentiment and valuation developments in the featured subsectors.

Our top insights are detailed below:

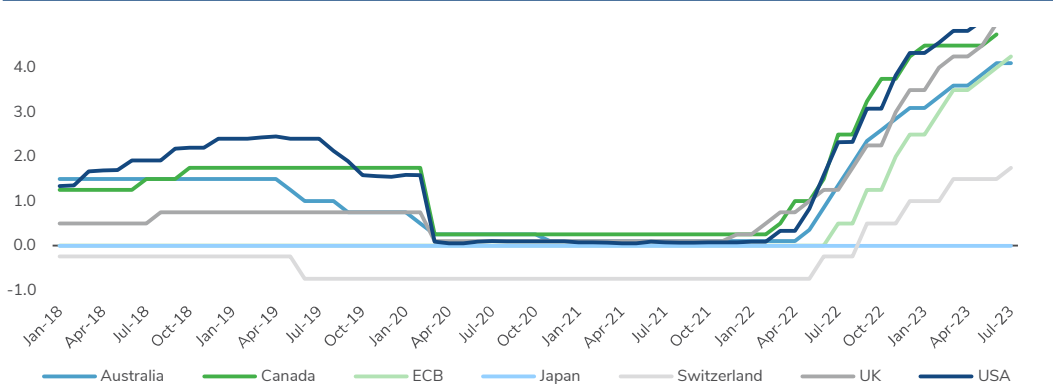
- The North American region has seen the largest number of FIG transactions 2023YTD, while having the highest multiples paid.
- While the M&A market is likely to continue to experience macro-level difficulties, the financial services industry presents dealmakers with numerous opportunities to carry out their strategic objectives through M&A.
- The global financial services market is expected to grow from USD 12.5 trillion in 2021 to USD 21.9 trillion by 2030, at a compound annual growth rate of 6%. The banking sector and the insurance sector are expected to be valued at USD 11.7 trillion and USD 10.2 trillion, respectively, by 2030.

Despite strong economic headwinds, FIG companies are regaining confidence regarding business opportunities for the second half of 2023. Read more in our report and contact Kroll to learn how we help our clients stay ahead.

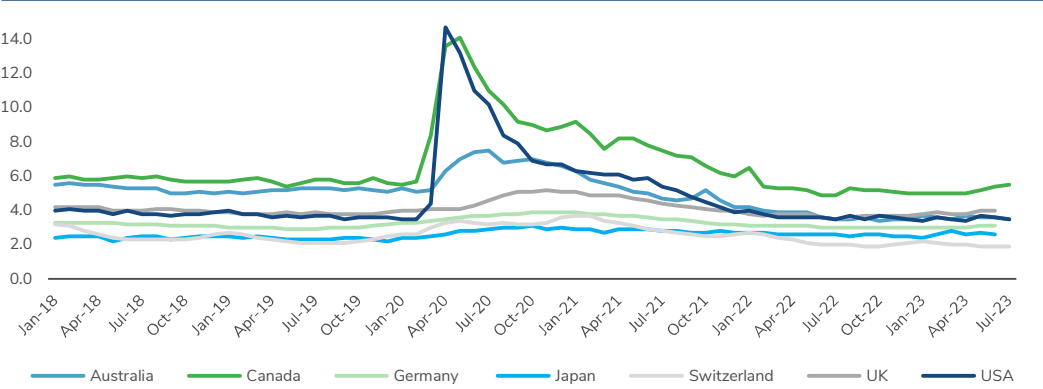
Financial Institutions Group (FIG) Market Overview

Key Market Indicators

Monthly Interest Rate (%) Development per Central Bank



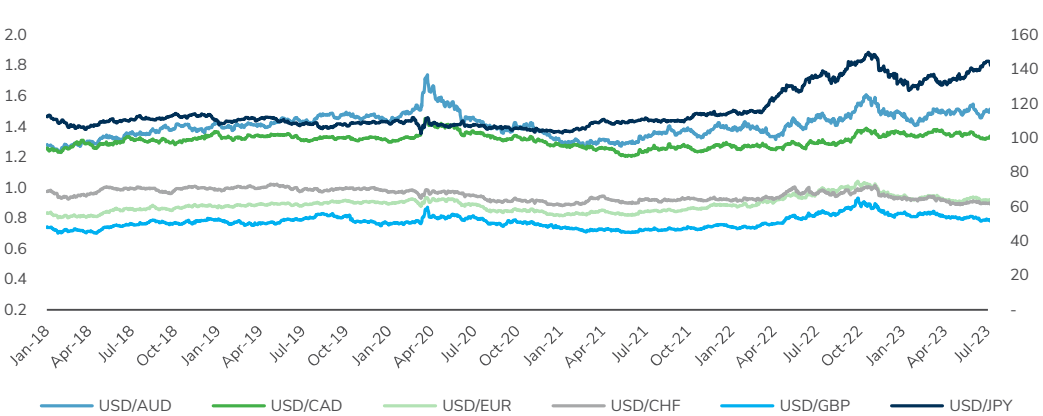
Unemployment Rate (%) by Highlighted Region



Volatility Index



Foreign Currency Exchange Rate¹

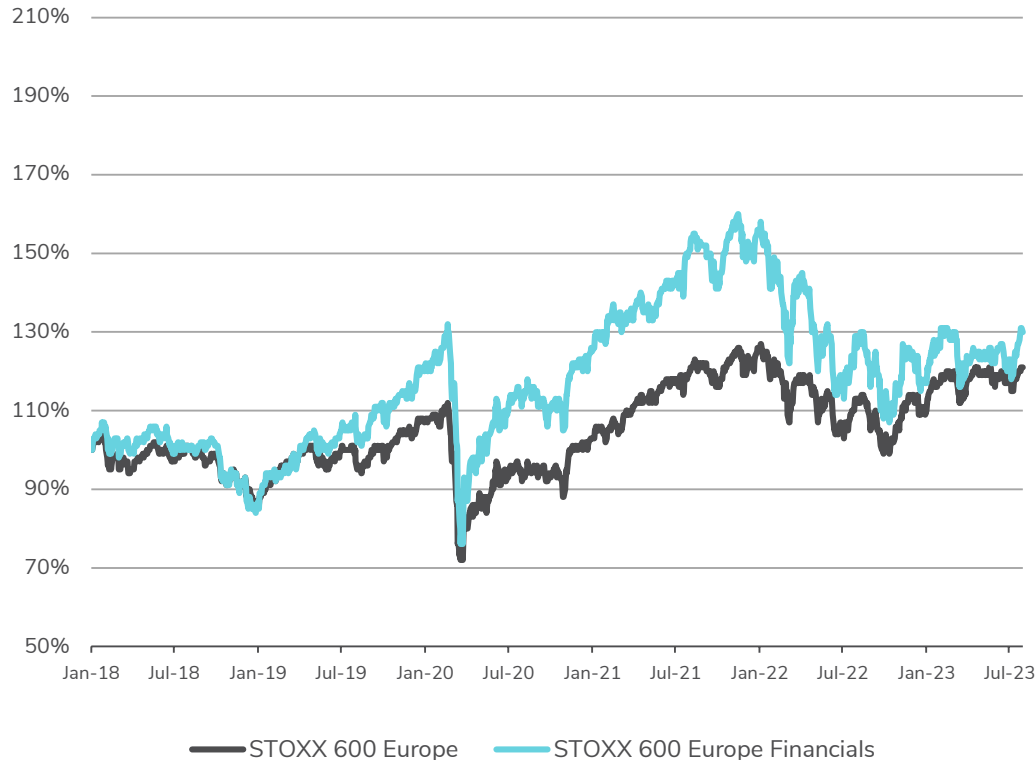


Sources: Central bank websites, government websites, Capital IQ
¹ USD/JPY plotted on secondary axis

FIG Market Overview

Rebalanced Stock Development in Europe and the U.S.

Europe: STOXX 600



U.S.: S&P 500



Source: Capital IQ as of July 31, 2023

FIG Market Overview

FIG Represents a USD 22 Trillion Revenue¹ Market Globally

FIG Market Size

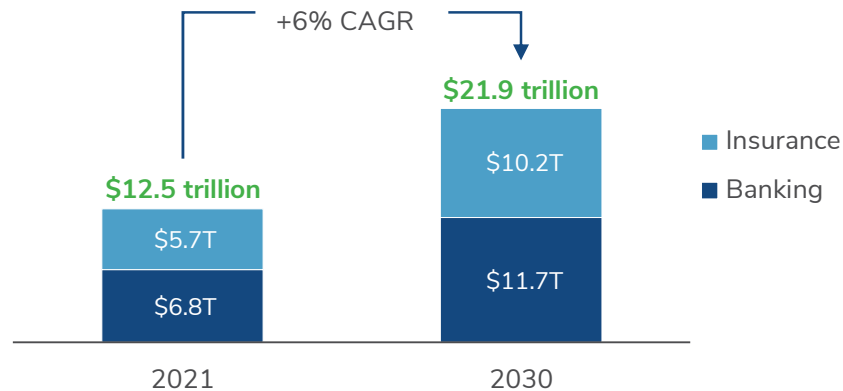
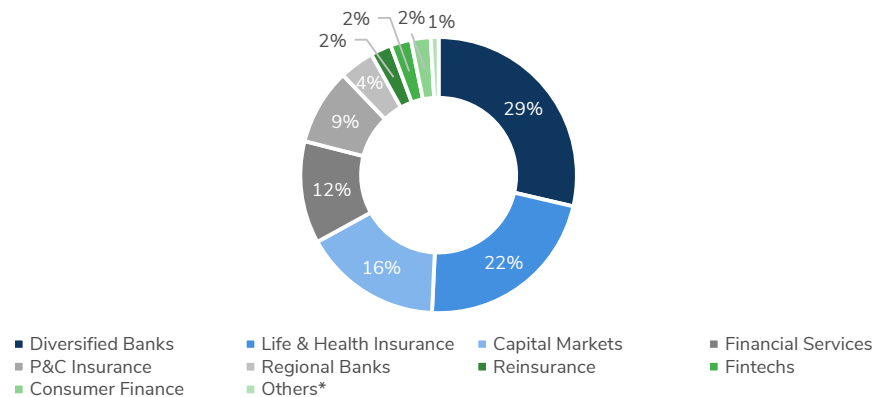


FIG Market By Segment



Commentary

- The global financial services market is expected to grow in revenue, from USD 12.5 trillion in 2021 to USD 21.9 trillion by 2030, at a compound annual growth rate (CAGR) of 6%. The banking sector and the insurance sector are expected to be valued at USD 11.7 trillion and USD 10.2 trillion, respectively, by 2030.
- This expected market growth factors in the widespread digitization efforts of banks and other financial institutions, as well as steep increases in commercial lending activities in the market.
- Future growth will also be fueled by rising urbanization, increased demand for alternative investments, high-net-worth individual wealth, demand for blockchain technology to reduce fraudulent transactions, homeownership and mortgages, and rising investments.
- However, data localization and growing interest rates are two factors that may limit the expansion of the financial services market in the future.
- The global financial services market consists of the following segments: diversified banks, life and health insurance, capital markets, financial services, property and casualty insurance, regional banks, reinsurance, fintechs, consumer finance and others.*
- Diversified banks, life and health insurance, and capital markets together make up around 67% of the total financial services market.

Sources: Boston Consulting Group, Capital IQ, Growth Market Reports, Research and Markets

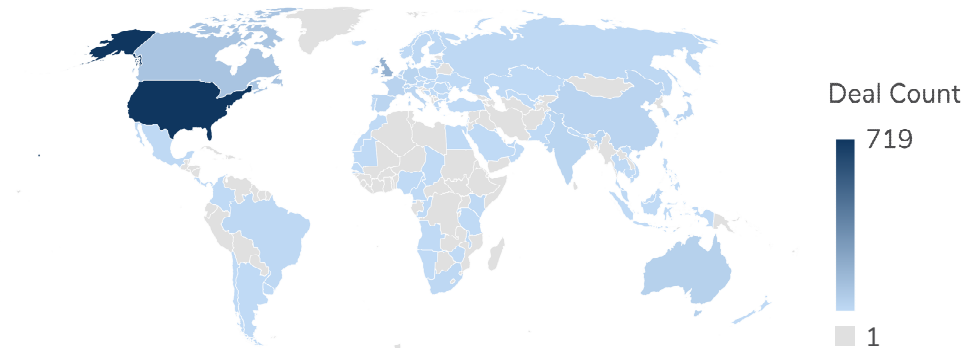
¹ Revenue definition depends on the industry (e.g., banking: net interest income, insurance: net premium earned)

* Others include Insurance Broker and REITs

FIG Market Overview

Global Hot Spots for FIG Deal Activity

M&A Heat Map by Region and Deal Count (July 2023)



Avg. Multiples (P/B) by Highlighted Region

Region	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023 ¹
North America	1.74x	1.41x	2.49x	3.01x	1.18x
Europe	1.30x	3.77x	1.84x	1.62x	2.15x
Asia Pacific	1.78x	2.58x	1.41x	1.57x	1.35x

Sources: Capital IQ, Deloitte, PwC

¹ Until July 31, 2023

Commentary

- North America, especially the U.S., saw the highest financial services deal count at 719 in 2023 year to date (YTD).
- North American transactions presented the highest price-to-book value (P/B) multiples in 2023YTD.
- European and Asia Pacific dealmakers have been more reserved regarding financial services deal activities, which may be the result of current levels of volatility in the global market environment.
- In the most recent years, global M&A activities in the realm of financial services predominantly consisted of asset and wealth management, as well as banking and capital markets transactions, while M&A activities in the insurance industry have largely stayed constant.
- M&A is and will remain a key factor in the transformation of the financial services industry, as incumbents search for strategic alliances and merger opportunities to advance their digital capabilities, fend off competition from more agile and digitized platforms and fintech firms, and cope with mounting regulatory pressure.
- While the M&A market is likely to continue to experience macro-level difficulties, the financial services industry presents dealmakers with numerous opportunities to carry out their strategic objectives through M&A.

FIG Market Ecosystem

Kroll-Tracked FIG Universe

Banks

Diversified Banks

BANK OF AMERICA, CREDIT AGRICOLE, 远东宏信, 中国銀行, 德意志銀行, Fubon Financial, HSBC, citi, HONG KONG & SHANGHAI BANKING CORP., ING, J.P.Morgan, Santander, ICBC, RBC Royal Bank, Wells Fargo, UniCredit, UBS, Nordea

Regional Banks

Bank of Kyoto, 南京銀行, M&T Bank, Citizens Financial Group, Inc., 宁波銀行, LB BW, EAST WEST BANCORP, Huntington, NY CB, Bayern LB, DEXIA, PNC, REGIONS, Sparda-Banken, THE BANK OF LONDON, TRUIST, Sparkasse, US Bancorp, Volksbanken Raiffeisenbanken

Fintechs

Blockchain.com, BINANCE, Alipay, adyen, Caribou, FLEETCOR, globalpayments, gusto, KUCOIN, Robinhood, scalable CAPITAL, deel, tonik, TRADE REPUBLIC, upvest, VISA, Klarna, SaltPay, zilch, PayFit, PayPal, fiserv.

Financial services

Financial Services

Exor, Fubon Financial, AMP, HYPOPORT, FUYO LENSE, GREKE, SABANCI, GBL, Pargesa, FIRST PACIFIC, IBJ LEASING, MERITZ, SURA, METRO PACIFIC INVESTMENTS, PSG GROUP LIMITED

Consumer Finance

acom, BAJAJ FINISERV, Alipay, FirstCash, Capital One, Klar, current, chime, C6 BANK, N26, intuit, greenlight, Lydia, monzo, Varo, SoFi, SoftBank Group, Starling Bank, synchrony, DISCOVER

Capital Markets

Davidson Kempner, EVERCORE, CITADEL, Blackstone, ARES, BlackRock, MACQUARIE, Goldman Sachs, Hellman & Friedman, Invesco, OWL ROCK, Charles Schwab, Jefferies, Morgan Stanley, OAKTREE, THE CARLYLE GROUP, Partners Group, KROLL, PERMIRA, STIFEL, THOMABRAVO, RAYMOND JAMES, TPG

REITs

W. P. CAREY, CROWN CASTLE, CARETRUST, AvalonBay, Goodman, Equity Residential, AMERICAN TOWER, SBA, PROLOGIS, ALEXANDRIA, Federal Realty, DIGITAL REALTY, Medical Properties Trust, REALTY INCOME, EQUINIX, CAMDEN, SIMON, STAG INDUSTRIAL, VICI, VONOVIA, welltower, Public Storage

Insurance

Brokers

ACRISURE, Brown & Brown, Gallagher, LOCKTON, BRP, AON, NFP, Howden, HUB, MRH, Marsh McLennan, ECCLESIA, PROGRESSIVE, PSC INSURANCE GROUP, AssuredPartners, RYAN SPECIALTY, Steadfast, TRUIST, Tryg, USI, wtw

Life and Health

Brown & Brown, Allianz, AEGON, DAI-ICHI LIFE, RenaissanceRe, AXA, China Life, Steadfast, Progressive, MassMutual, Liberty Mutual, Manulife, Arch, Elevance Health, MetLife, PINGAN, NN, AVIVA, Prudential, Pacific Life, Protective, GENERALI, CHINA RE, Mutual of Omaha, Sun Life, Afac, ZURICH, SwissLife

P&C

AEGON, Arch, Allianz, AVIVA, AXA, Brown & Brown, PINGAN, Prudential, NN, RenaissanceRe, GENERALI, CHINA RE, ERGO, ENSTAR, ZURICH, TRAVELERS, HATHAWAY INC., BERKSHIRE, HISCOX, PROGRESSIVE, CHINA LIFE, Allstate

Reinsurance

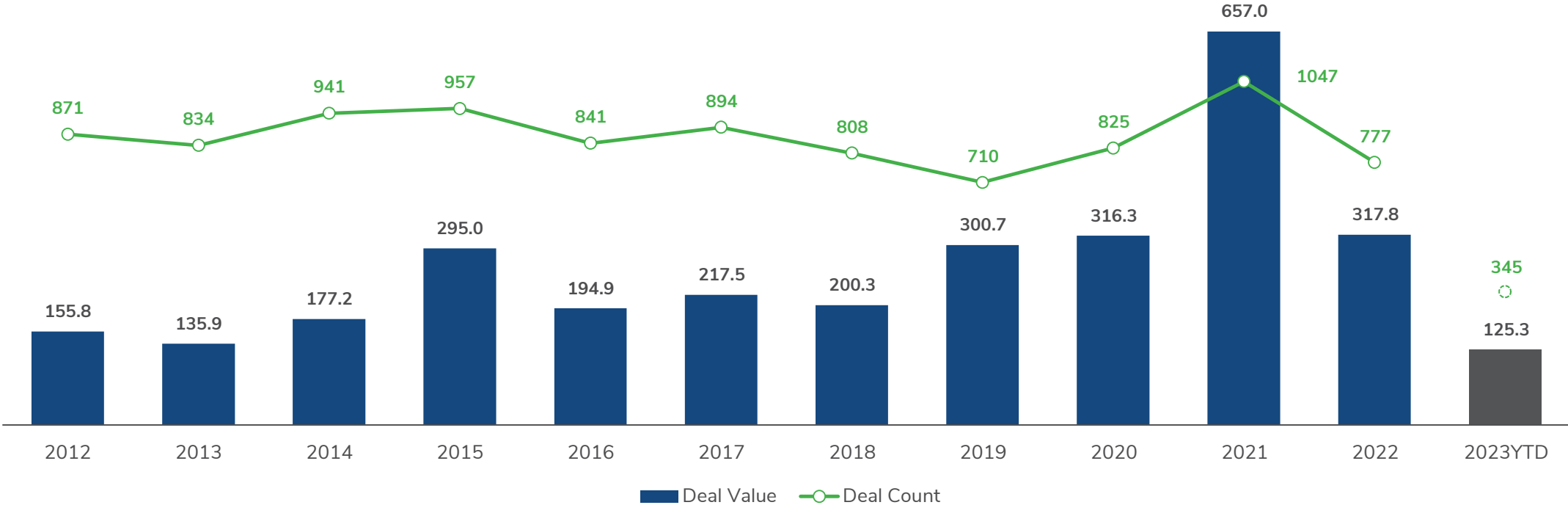
ENSTAR, everest, CHUBB, NN, CCR, Arch, Swiss Re, ZURICH, PeakRe, Deutsche Rück, hannover re, SCOR, RenaissanceRe, RGA, KOREAN, Munich RE

M&A Market Overview

M&A Market Overview

Global M&A Activity in FIG

(in EUR billion)



Notable transactions in 2023 include bank rescues, such as UBS' acquisition of Credit Suisse (€3.0 bn) and JPMorgan's of First Republic Bank (€9.6 bn), as well as other large transactions, e.g., Royal Bank of Canada's acquisition of HSBC (€11.1 bn).

Acquisitions by strategic buyers have been the favored way of sale for FIG companies over the past years.

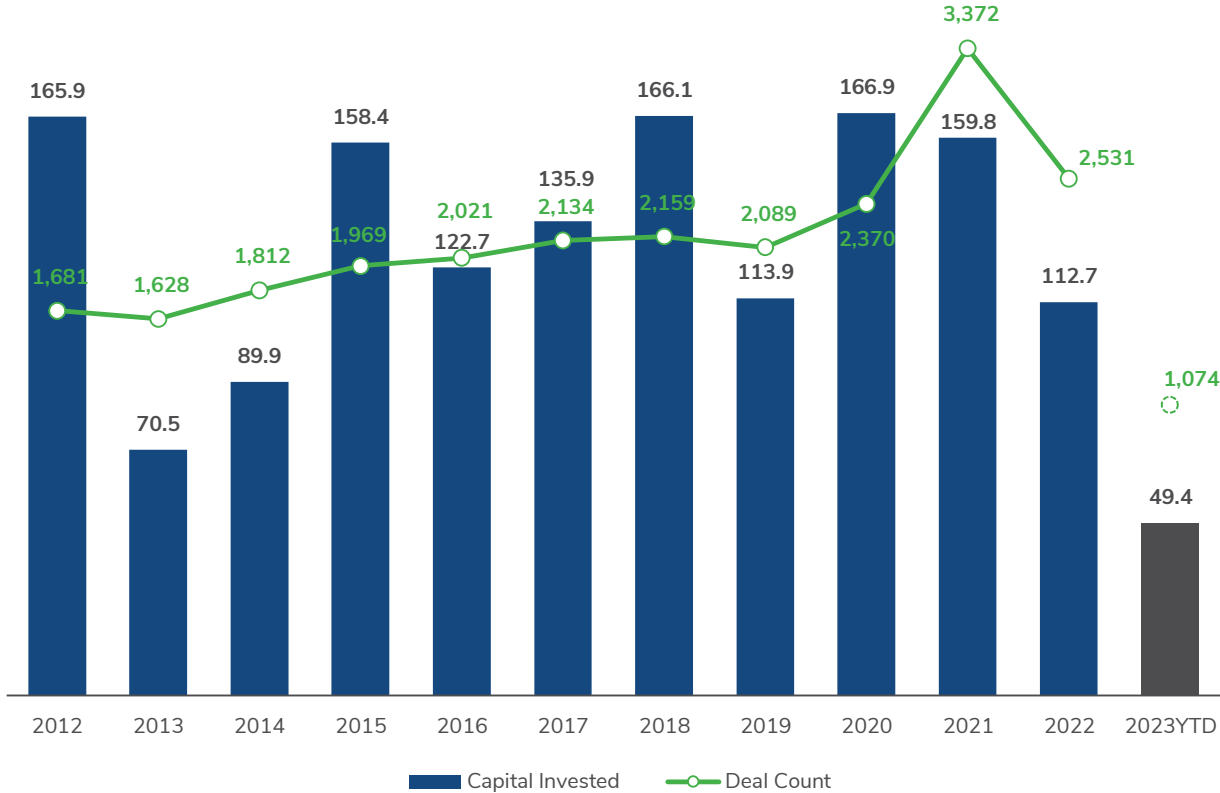
Large corporations are seeking to strengthen their position in the market and expand offerings in the FIG space.

Source: Capital IQ as of July 31, 2023
 Note: Deals with undisclosed transaction values are excluded; includes deals with majority stake only

M&A Market Overview

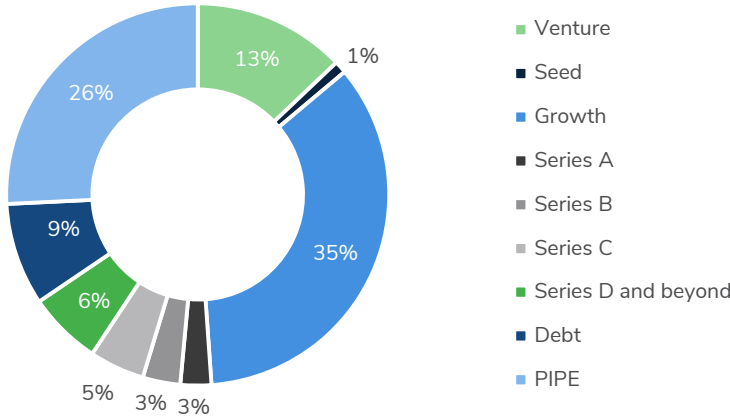
Global Financing in FIG

Global Financing Activity in FIG (EUR bn)¹



Financing by Round^{1,2}

(2018–2023YTD, based on capital invested)



Source: Capital IQ as of July 31, 2023

¹ Deals with undisclosed transaction values are excluded

² Seed includes accelerator, angel, bridge, crowdfunding, pre-seed, Pre-Series A and Pre-Series B

M&A Market Overview

Top Active FIG Investors During Last 12 Months

Financial Investor		
Name	# of Inv.	Selected Investments
SEQUOIA	18	BEAMO, CIRRUS WEALTH MANAGEMENT, EDXM, evy., metaweb ventures, turnkey, Z C A Zeke Capital Advisors, llc
IFC International Finance Corporation World Bank Group	11	AVANSE FINANCIAL SERVICES, adumò, VERITAS FINANCE, terrapay, Bank Respublika, lulalend, Naked
bpifrance	8	CLUBFUNDING GROUP, Lola health, pandat finance, YOUNITED, JIKO, Garantme, PYTHEAS ADVISORS
MUBADALA	7	AirCarbon Exchange, ATG American Trading Group, CERC, FORTRESS, tabby, TRUIST
MOTIVE PARTNERS	7	bezahl, de, Februar, Paytrix, pliant, embedded/capital, TRIVER
Accel	5	Fundly, Anyfin, DEZERV, Shivalk Small Finance Bank, Tema

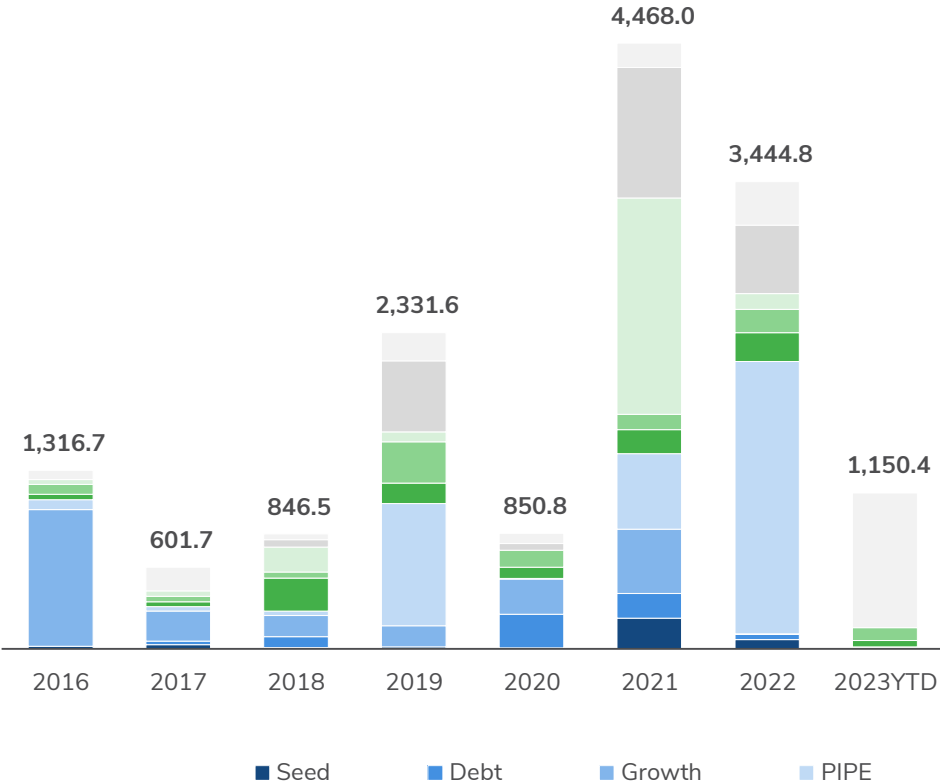
Strategic Investors		
Name	# of Inv.	Selected Investments
WORLD	33	Katz/Pierz, volaris, The Young Insurance, DGM insurance agency, RUBICON BENEFITS, MORRIS & REYNOLDS Insurance
inszone	32	Citizens General INSURANCE BROKERS, Specialty Contractors Insurance Services, Inc., CORBETT & ASSOCIATES Insurance Agents & Brokers, Desert Cornerstone INSURANCE SERVICE, CHAMPIONS INSURANCE, TITAN GLOBAL INSURANCE BROKERAGE
Gallagher	32	HAGAN INSURANCE GROUP, MAVCO INSURANCE GROUP, benchmark, IBKB INSURANCE BY KIM BROWN, INC., QUALITY FIRST INSURANCE, Education Protect Insurance Brokers
HUB	31	AG DIRECT Hail Insurance, RMC INSURANCE, THE WOODITCH COMPANY, Edbrooke Stelcner + ASSOCIATES, Golden Corner Wealth Advisors, DEFRANCO INSURANCE
INTEGRITY	18	MediSource WE SIMPLIFY MEDICARE, IMA, EASY STREET INSURANCE INC., Senior Solutions & Services, DELONG SALES GROUP, THE INSURANCE SUPERSTORE
pibGroup	18	pure risks, CARBON, Jigsaw Insurance, RISQWISE, GRUPO VG, campos&rial s.a.

Source: PitchBook
 Note: Last 12 months to July 2023; # of investments includes investments of subsidiaries

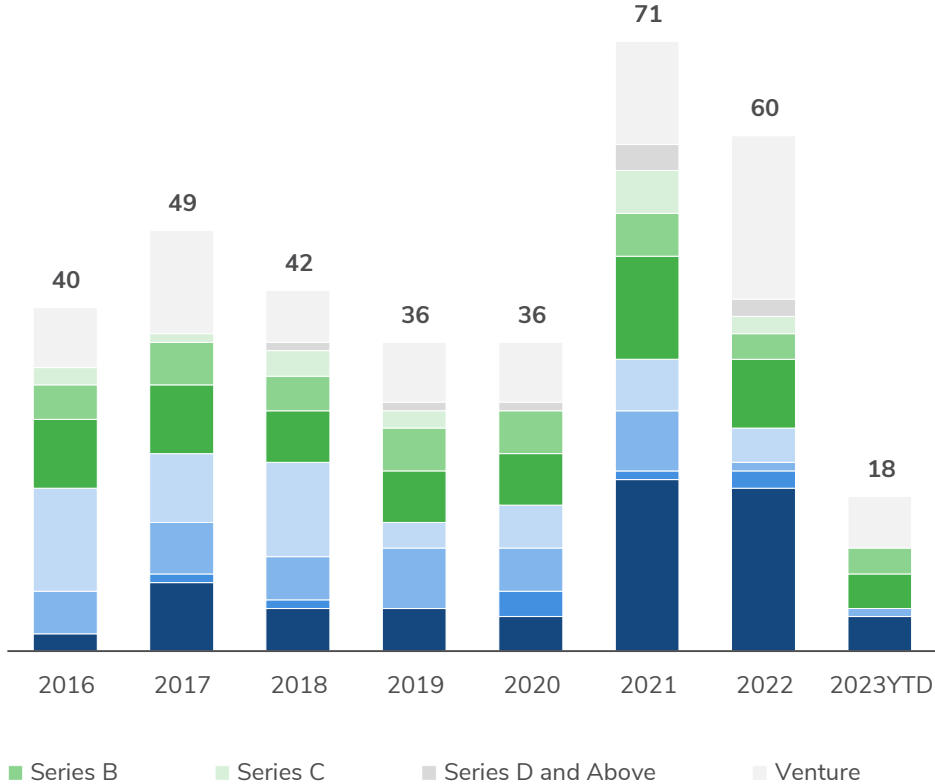
M&A Market Overview

DACH FIG Funding by Value and # of Rounds

DACH FIG Funding by Value (EUR million)



DACH FIG Funding by # of Rounds

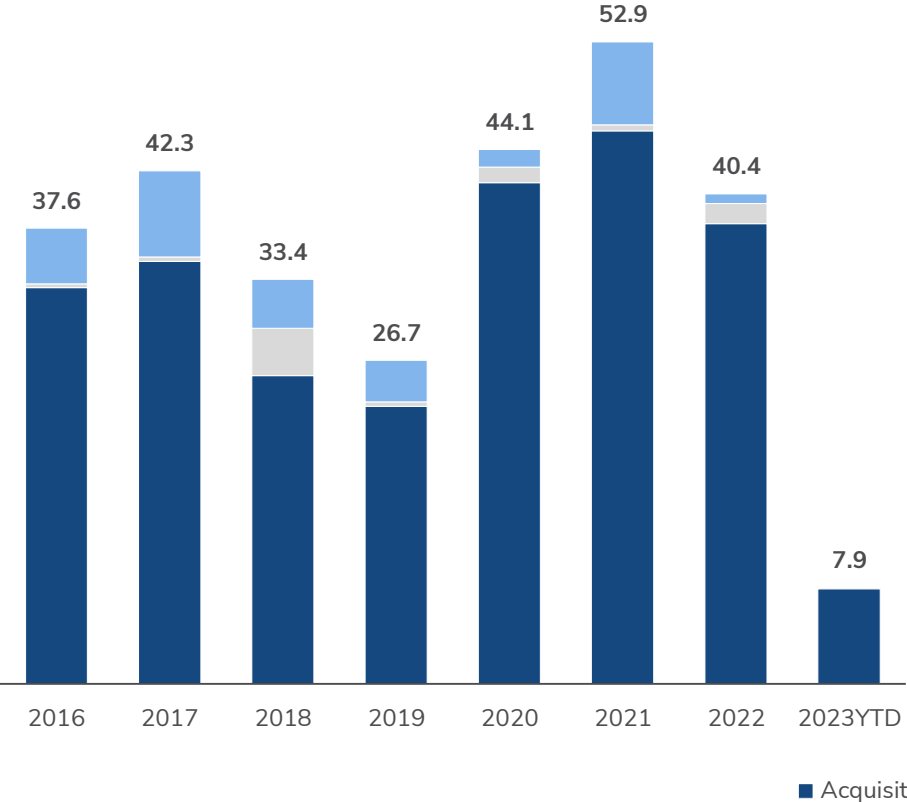


Source: Capital IQ as of July 31, 2023
 Note: Funding round with undisclosed transaction values are excluded; seed includes accelerator, angel, bridge, crowdfunding, pre-seed, Pre-Series A and Pre-Series B; includes transactions for which the target is headquartered in Germany, Switzerland or Austria

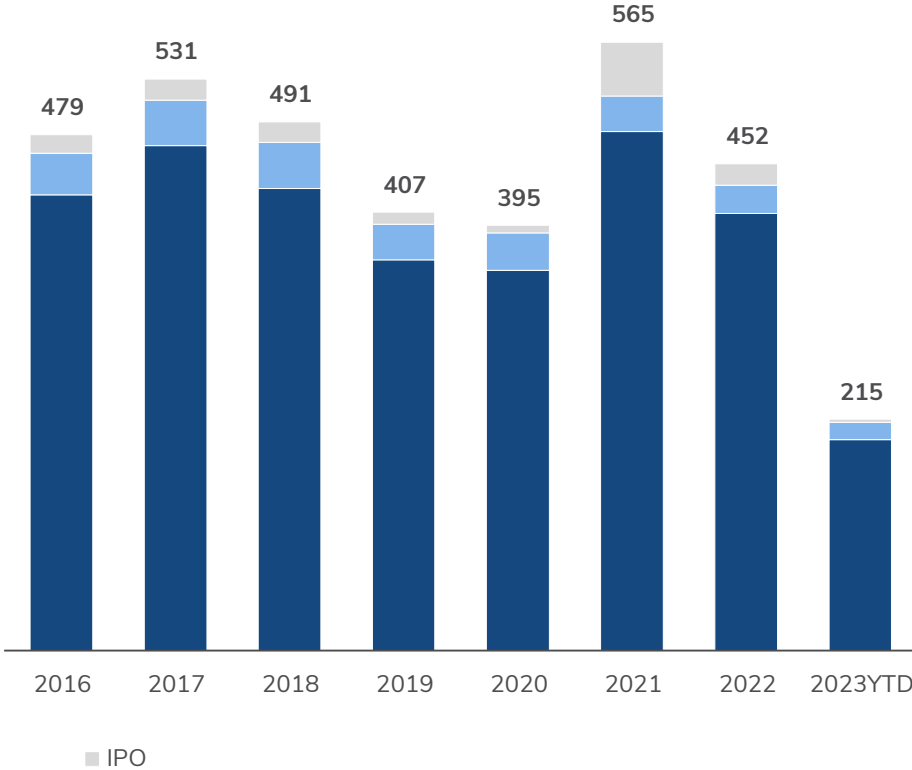
M&A Market Overview

EU FIG Transactions by Value and Number

EU FIG Transactions by Value⁽¹⁾ (EURbn)



EU FIG Transactions by Number of Deals



Source: Capital IQ as of 31 July 2023
 Note: Includes only disclosed value transactions.

M&A Market Overview

Recent transactions in the FIG market (selection)

<p>€11,073 mn Deal</p>  <hr/> 	<p>€9,645 mn Deal</p>  <p>FIRST REPUBLIC BANK</p> <hr/> <p>JPMORGAN CHASE & CO.</p>	<p>€6,169 mn Round</p>  <hr/> <p>andressen horowitz </p> <p>RAILIE GIFFORD  THRIVE CAPITAL</p> <p>FOUNDERS FUND  BDT&MSD</p>	<p>€6,032 mn Round</p>  <hr/> <p> 中国移动 China Mobile</p>	<p>€4,940 mn Deal</p>  <hr/> <p>G.S.T. de nederlandse verzekerings maatschappij voor alle verzekeringen</p>	<p>€4,646 mn Deal</p>  <hr/> 	<p>€4,628 mn Deal</p> <p>Handelsbanken</p> <hr/> 	<p>€2,410 mn Deal</p> <p>network ></p> <hr/> 
<p>€3,809 mn Deal</p>  <hr/>  <p>STONE POINT CAPITAL</p>	<p>€3,432 mn Deal</p> <p>BankDirect CAPITAL FINANCE</p> <hr/> 	<p>€3,293 mn Deal</p>  <hr/> 	<p>€3,034 mn Deal</p> <p>CREDIT SUISSE </p> <hr/> 	<p>€2,796 mn Deal</p>  <p>Kensington</p> <hr/> 	<p>€2,485 mn Deal</p> <p>network ></p> <hr/> <p>Brookfield</p>	<p>€2,313 mn Deal</p>  <hr/> <p>globalpayments</p>	<p>€2,330 mn Deal</p> <p>ARES ACQUISITION CORPORATION</p> <hr/> 
<p>€1,751 mn Deal</p>  <hr/> 	<p>€1,685 mn Deal</p>  <hr/> <p>CARLYLE</p>	<p>€1,546 mn Round</p> <p>Resolution Life</p> <hr/> <p>Blackstone</p> <p> NISSAY</p>	<p>€1,417 mn Round</p>  <hr/> 	<p>€793 mn Round</p> <p>Klarna.</p> <hr/> <p>SEQUOIA  SILVERLAKE</p> <p>CPP Investments  MUBADALA</p>	<p>€727 mn Round</p>  <hr/> 	<p>€676 mn Round</p> <p>ACRISURE</p> <hr/> <p>ADIA</p> <p>OHA OAK HILL ADVISORS  GUGGENHEIM</p>	<p>€1,444 mn Round</p>  蚂蚁消费金融 <hr/> <p>蚂蚁集团 ANT GROUP  Transfar 传化智联</p> <p>舜宇光学科技(集团)有限公司 SUNNY OPTICAL TECHNOLOGY GROUP CO., LTD.</p>

Source: Dealroom.co, Merger Market

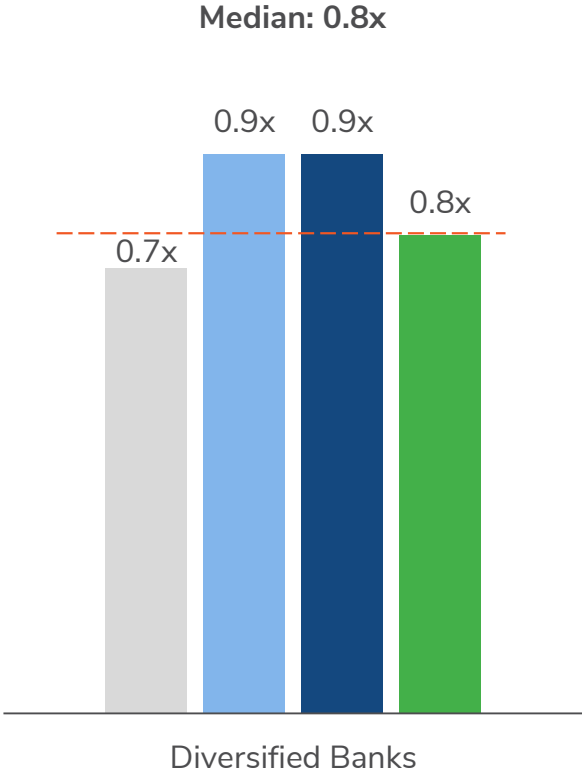
Global Public Trading Analysis

Sub-Sector Summary

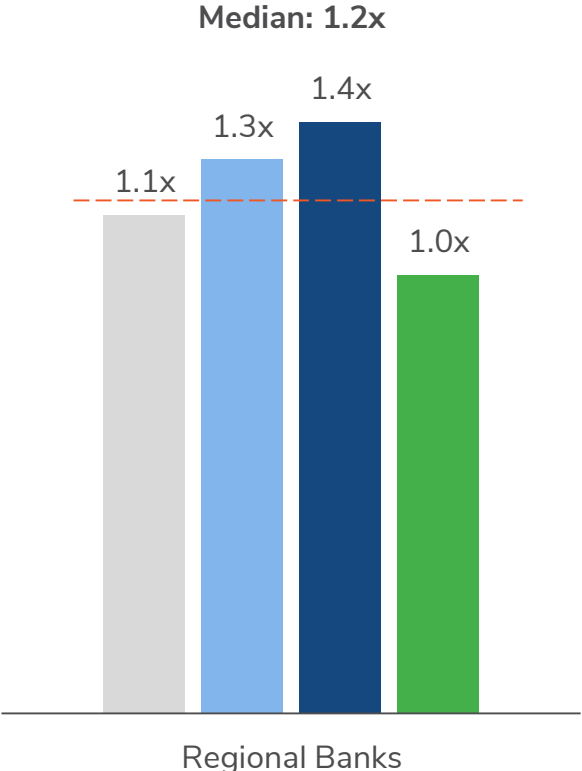
Global Public Trading Analysis

Sub-Sector Focus: Banks

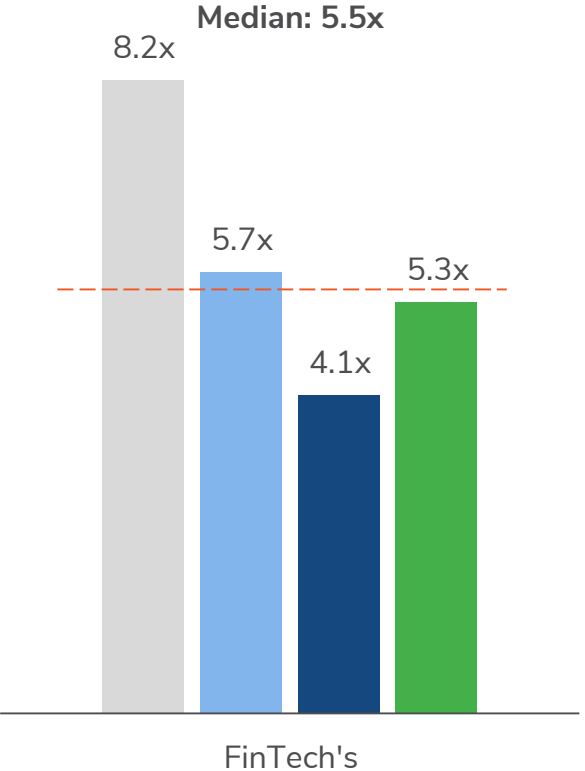
Multiples of P/B



Multiples of P/B



Multiples of EV/Revenue



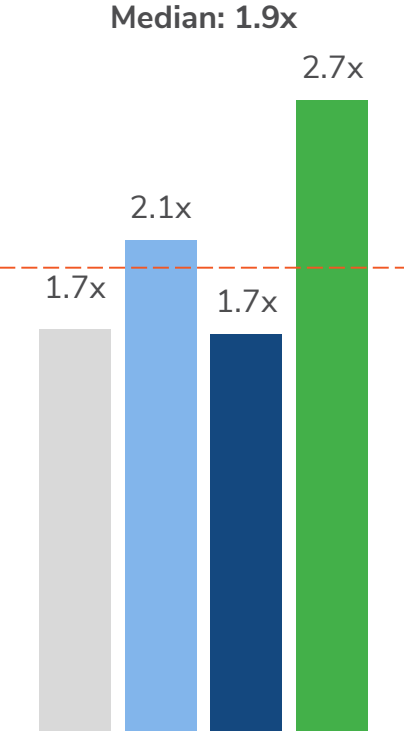
■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

Source: Refinitiv, Capital IQ as of 31 July 2023

Global Public Trading Analysis

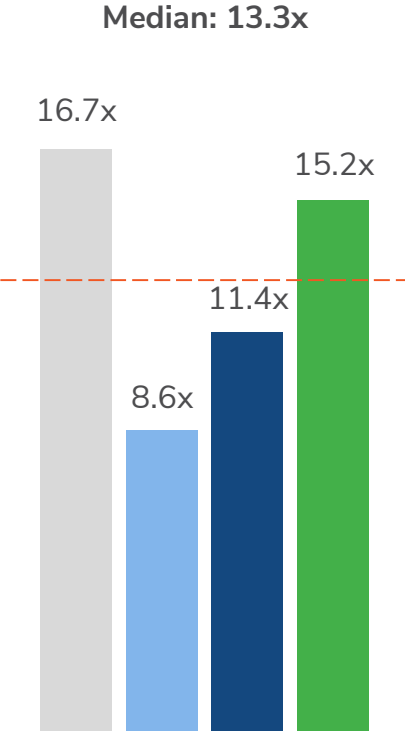
Sub-Sector Focus: Financial Services

Multiples of EV/Revenue



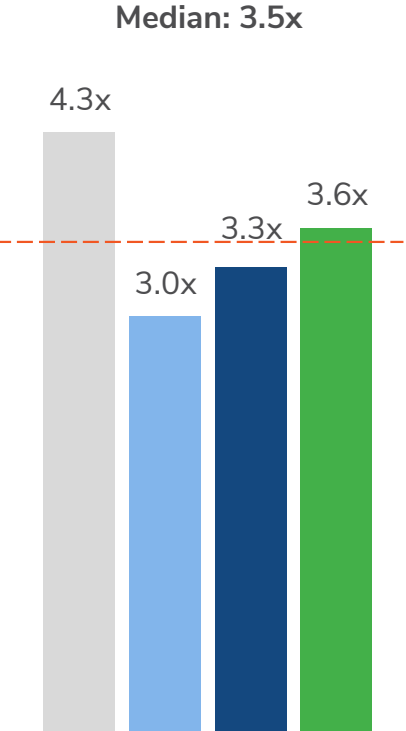
Financial Services

Multiples of P/E



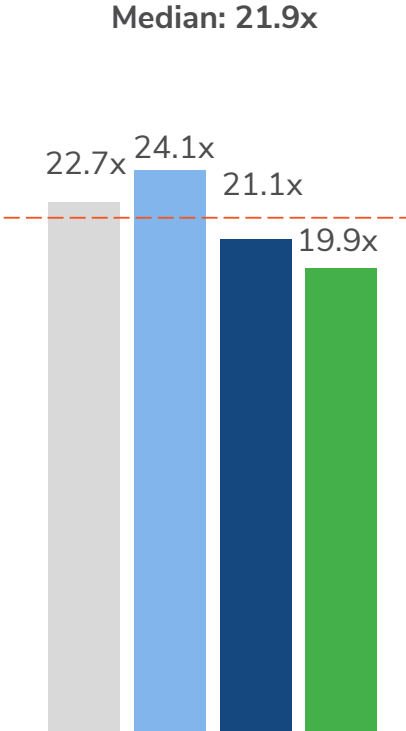
Consumer Finance

Multiples of EV/Revenue



Capital Markets

Multiples of EV/EBITDA



REITs

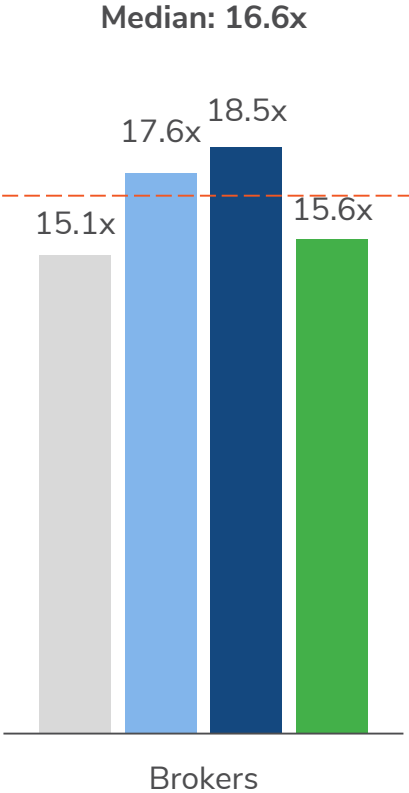
■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

Source: Refinitiv, Capital IQ as of 31 July 2023

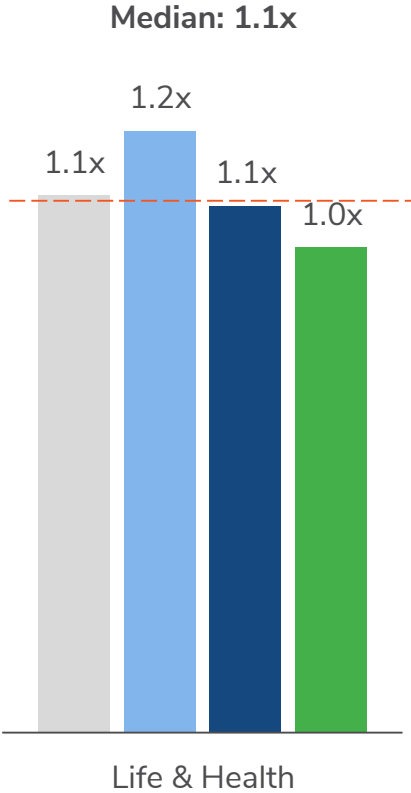
Global Public Trading Analysis

Sub-Sector Focus: Insurance

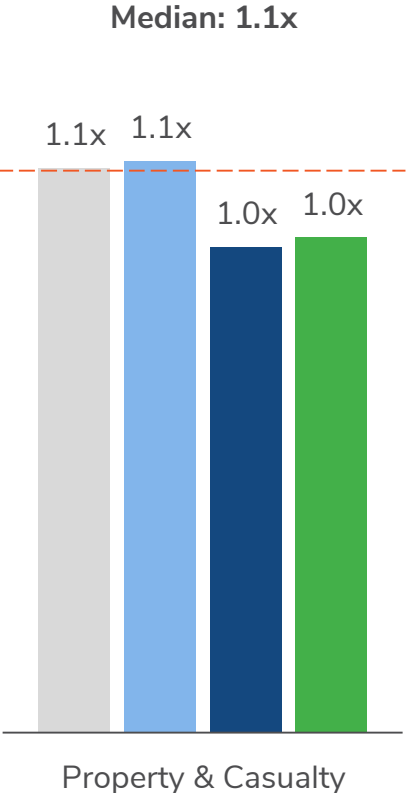
Multiples of EV/EBITDA



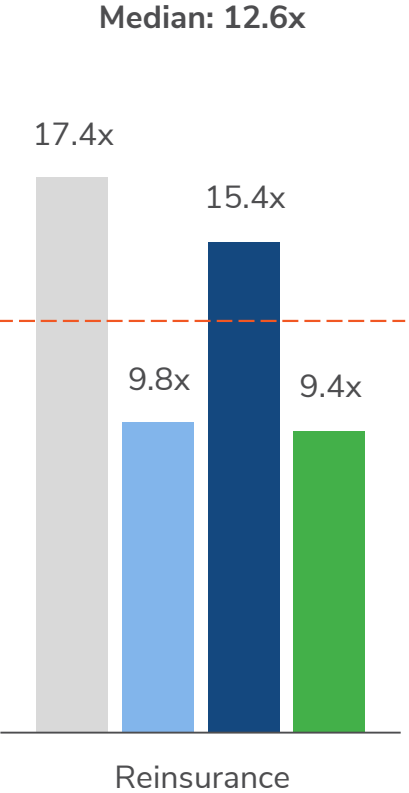
Multiples of P/GWP



Multiples of P/GWP



Multiples of P/E



■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

Source: Refinitiv, Capital IQ as of 31 July 2023



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